

Accounting of start-up companies established in Romania financed with European funds

David Diana-Elena

Abstract

The establishment of a start-up company and its financing with European funds can be considered by countless entrepreneurs an opportunity, but when it comes to the progress reports, do entrepreneurs still consider that obtaining a grant is an opportunity? Through this paper, had debated the accounting monograph of a company financed with European funds, as well as the involvement of the entrepreneur in the preparation of the progress reports based on the financial statements.

Keywords: start-up, entrepreneurs, accounting, reports

J.E.L. classification: F66, M41

1. Introduction

Obtaining a grant is an advantage for any entrepreneur at the beginning of the road. However, it is extremely important for the entrepreneur to know the financed business model and the whole financial-accounting process in order to complete the financed business plan. Therefore, it helps him to know the steps to be followed in setting up a company or how to calculate economic and financial indicators to demonstrate that it meets the criteria imposed by the financing obtained. Also, an important advantage for the entrepreneur in his first business is to know the patenting process of the brand he wants to form. It is important to know this for two reasons: firstly is to give confidence to its customers and secondly is to protect itself against attempts to be imitated by the competition.

2. Theoretical background

Each acquisition goes through a broader process that the entrepreneur must know in order to complete the business plan financed with non-reimbursable European funds as long as the main objectives for which the financing was obtained are met.

First of all, no purchase from the financial plan is eligible without: Offer, Contract, Fiscal Invoice, Delivery-Receipt Minutes, all signed and stamped.

Secondly, once we have the documents related to the acquisitions / payments, the payment planning is drawn up. Payment planning contains two headings, one for budgeted amounts and one for actual payment amounts. If the budgeted amount is higher than the actual payment amount, savings are obtained that can be redistributed to other payments at the end of all budgeted purchases / payments. If the actual amount is higher than the budgeted amount, then we have two possibilities to either complete from the company's pocket - by lending, or if we are planning to purchase according to the first situation, we can redistribute them here.

Thirdly, the whole set of documents is sent to the project expert who handles the planning approval to verify them. If all documents are prepared accordingly, the expert approves the planning and thus payments can be made.

3. Research methodology

In the present paper, the research methodology consists in consulting with Ordinance of the Ministry of Public Finance 1802/2014 in the section "Subsidies" and also research on the criteria imposed by the Human Capital Operational Program (POCU) for financing start-up companies in urban areas, Romania start-up plus financing line. Romania Start-up Plus is a financing line

for those who want to develop businesses in the urban environment and who have not had a company before.

The main objective of the project is the establishment of new companies and the development of entrepreneurship.

The maximum amount that the de minimis Administrator can access is 5 million euros, but the maximum amount that the Beneficiary of the grant can access is 40,000 euros.

This project primarily stimulates the creation of new jobs, as the Beneficiary of the de minimis aid has the obligation to support two employees for 12 months, and also the competitiveness, as the beneficiary of the de minimis aid, after accessing the first tranche of 40,000 euro, must prove that the criterion of achieving 30% of the revenue related to the first tranche, from the main activity for which the de minimis aid was accessed, is met.

4. Recognition of the grant as income for the period corresponding to the expenditure to be offset by the grant.

Grants are classified as non-reimbursable financial resources that are received by a company as long as it meets a number of conditions. Grants are recognized in the accounts on a systematic basis as income for periods corresponding to the expenditure to be offset by the grants. Subsidies for assets are recorded in the accounts as investment subsidies and are recognized in the balance sheet as deferred income, according to point 402 par. (2) of the Accounting Regulations.

The accounting notes found in the accounting monograph of a company benefiting from European funds are presented in Table no. 1. And Table no. 2.

Table no. 1. Accounting registration of the non-reimbursable subsidy

5121 Bank accounts in lei (A)	=	4452 Grant loans (A)
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Source: own processing

The accounting entry in Table no.1. reflects the transfer of the non-reimbursable grant to the company's bank account, but from the point of view of using the money, the company can only use the money for the purposes assumed through the business plan that obtained the financing. In this case, from an accounting point of view, account 5121 is debited while account 4452 is credited.

Table no. 2. Registration of non-repayable loans in the form of investment grants

4452 Grant loans (A)	=	4752 Non-repayable loans for investment grants (P)
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Source: own processing

The accounting entry in Table no. 2. reflects the transfer of the money from the debit account of non-reimbursable loans with the character of subsidies to the credit of the account of non-reimbursable loans with the character of investments.

5. Example of acquisition assumed in the business plan financed with European funds and its reflection in accounting

To exemplify the acquisition, we chose a technological equipment whose depreciation was recorded in accounting.

Table no. 3. Registration of the acquisition of technological equipment

2131	=	404
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Technological equipment (machinery, equipment and work installations) (A)		Suppliers (P)
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Source: own processing

In the currency in which the acquisition takes place, this is highlighted in the asset account 2131-Technological equipment (machinery, equipment and work installations) which is an asset account. Therefore, this account starts working by debiting. In other words, the purchase with the technological equipment is highlighted in the debit of account 2131. At the same time, in the credit of account 404 - Suppliers, the amounts due to the suppliers of fixed assets are highlighted.

Table no. 4. Registration of payment for technological equipment

404 Suppliers (P)	=	5121 Bank accounts in lei (A)
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Source: own processing

Payment for the acquisition is possible only based on documents specific to payments made with European funds: offer, contract, invoice, delivery-receipt report. From the accounting point of view, the 404-Suppliers account is debited with the amounts made, and in the credit of the account 5121 - bank accounts in lei the payment is registered. In other words, the balance of account 5121 - bank accounts in lei decreases with the amount of the payment made to the suppliers.

Table no. 5. Amortization of technological equipment

6811 Operating expenses on depreciation of fixed assets	=	2813 Depreciation of facilities and means of transport (P)
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Source: own processing

Regarding the depreciation in Romanian accounting, the most used method in practice is the linear depreciation. In our case this is highlighted in the accounting account 6811 - Operating expenses on depreciation of fixed assets.

Table no. 6. Recognition of income related to the grant

475 Investment grants	=	7584 Income from investment grants
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Source: own processing

The amount related to the depreciation of the technological equipment is supported by the grant.

The subsidy income is recorded at the level of depreciation expense because the investment has been fully subsidized.

6. Financial-accounting reporting to prove the achievement of objectives

Reporting to prove the achievement of the objectives takes place before the request for payment for the next tranche of money is made.

It consists of a set of documents setting out the achievement of the objective of earning revenue related to the main activity for which the grant was obtained. Thus, the documents required to prove the achievement of the objective are the following:

- Centralized invoices issued until the date of submission of the payment request for the second tranche;

- Invoices signed, stamped and marked "in accordance with the original";
- Monthly progress report which provides several aspects such as: the stage of implementation of the business plan, summary of progress, income statement according to accounting documents;
- Analytical balances of the company from the establishment until the time of submission of the request for payment;
- Journal register;
- Sales register.

7. Progress reports

The progress report is the document that highlights the main objective of the business, the indicators achieved in the project, the stage of project implementation, the enumeration of payment plans, the income statement according to the financial statements. The role of the entrepreneur in making the progress report is to request from the accounting department the financial statements such as: balance sheet, journal, sales journal and any other document required by the financing obtained. After obtaining the documents, he completes the progress report by calculating economic-financial indicators such as: solvency, general liquidity of the company, the share of sales according to the main activity of the total sales.

If the results of the indicators are progressive then the entrepreneur may consider that it was an opportunity to obtain financing for the established start-up. On the other hand, if the indicators show that the financed objectives are not met, the entrepreneur is faced with the situation to return the grant from his own resources or to remedy the situation by implementing better marketing and management strategies.

8. Conclusions

In conclusion, financing a start-up with European funds can be an opportunity for an entrepreneur as long as he is sufficiently prepared in terms of economic information and economic practice to meet the objectives for which the financing was obtained. Also, accounting is always the key for any entrepreneur to keep track of the evolution of his company's business.

The more the entrepreneur knows how to interpret the accounting information, the better he will make managerial decisions for the company's prosperity.

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